

Message Text

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ACTION EB-07

INFO OCT-01 AF-08 ARA-06 EA-07 EUR-12 NEA-10 IO-13 ISO-00
FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00
DODE-00 FPC-01 H-01 INR-07 INT-05 L-03 NSAE-00 NSC-05
OMB-01 PM-04 USIA-06 OES-06 SP-02 SS-15 STR-04
TRSE-00 ACDA-07 PA-01 PRS-01 /146 W
-----270715Z 127921 /20

R 270510Z DEC 76
FM AMEMBASSY KUWAIT
TO SECSTATE WASHDC 6912
INFO AMEMBASSY ABU DHABI
AMEMBASSY ALGIERS
AMEMBASSY CARACAS
ACMBASSY DOHA 1141
AMEMBASSY JAKARTA
AMEMBASSY JIDDA
AMEMBASSY LAGOS
AMEMBASSY LIBREVILLE
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY QUITO
AMEMBASSY TEHRAN
AMEMBASSY TRIPOLI
AMEMBASSY VIENNA
USMISSION OECD PARIS UNN
USMISSION EC B
ISSELS 384
USINT BAGHDAD

C O N F I D E N T I A L KUWAIT 5939

E.O. 11652: GDS
TAGS: OPEC, KU
SUBJECT: OIL MINISTRY UNDERSECRETARY REVIEWS DOHA OPEC MEETING

REF: KUWAIT 5923
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1. SUMMKRY: IN MEETING WITH AMBASSADOR DEC. 26 OIL
UNDERSECRETARY ADASANI CONFIRMED PRICE OF \$12.37 PER BBL FOR
KUWAIT CRUDE OIL, WHICH IS REFLECTION OF 10 PERCENT
(\$1.19) INCREASE NIMUS DIFFERENTIAL OF \$0.33 FOR HEAVY
HIGH SULFUR CRUDE CATEGORY. ADASANI PRONOUNCED HIMSELF

SATISFIED WITH THIS DIFFERENTIAL WHICH WAS BY ARLEEMENT AT DOHA OPEC MEETING. KUWAITI PRICE WOULD BE \$.12 LESS THAN THAT FOR IRANIAN HEAVY CRUDE AND \$.21 LESS THAN IRAQI PRICE. ACCORDING TO ADASANI FURTHER \$800 MILLION WAS AGREED BY ALL MEMBERS AS CONTRIBUTION TO OPEC DEVELOPMENT FUND. IN RESPONSE TO AMBASSADOR'S QUERY, WITH REGARD TO JACK ANDERSON ARTICLE, HE SAID THAT THERE HAD BEEN NO DISCUSSION OF LPG PRICE AT DOHA, BUT ADMITTED THAT GOK WAS INTERESTED IN ESTABLISHING UNIFORM PRICE FOR GULF LPG, BUT SO FAR HAD AROUSED NO INTEREST IN OTHERS. END SUMMARY.

2. I MET WITH OIL MINISTRY UNDERSECRETARY MAHMOUD AL-ADASANI, ALSO KUWAIT GOVERNOR ON OPEC BOARD, DEC. 26 TO REVIEW RESULTS LNF DOHA OPEC MEETING WHICH HE ATTENDED (OIL MINISTER WAS UNAVAILABLE DUE HO ATTENDANCE AT CABINET MEETING, BUT IN ANY EVENT ADASANI IS MORE ARTICULATE AND PROBABLY MORE KNOWLEDGEABLE).

3. ADASANI CONFIRMED KUWAITI PRESS REPORTS THAT GOK PLAYED ZNTIVE ROLE IN ACHIEVING AGREEMENT AMONG THE ELEVEN OPEC MEMBERS ON 10 PERCENT PLUS 5 PERCENT INCREASE. AT BEGINNING OF MEETING OPEC COUNTRIES DIVIDED INTO THREE GROUPS; SAUDI ARABIA, WHOSE POSITION FAVORED PRICE FREEZE; KUWAIT, INDONESIA AND A FEW OTHERS WHO SUPPORTED 10 PERCENT INCREASE; AND REMAINDER LED BY IRAN AND IRAQ WHO WANTED 15 PERCENT OR MORE. RESOLUTION PRESENTED BY GOK CALLING FOR 10 PERCENT INCREASE APPLICABLE TO ENTIRE YEAR OBTAINED INSUFFICIENT SUPPORT AND, WHEN SAUDI ARABIA AND UNITED ARAB EMIRATES WOULD ONLY AGREE TO 5 PERCENT INCREASE, GOK DEL HELPED WORK OUT COMPROMISE FINALLY ACCEPTED BYONEMAINING 11 MEMBERS. CONFIDENTIAL

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4. ON QUESTION OF DIFFERENTIALS ADASANI SAID THAT AGREEMENT WAS REACHED ON BASIS OF ALGERIAN FORMULA. HE MAINTAINED THAT ONLY COUNTRIES REALLY CONCERNED WITH DIFFERENTIAL QUESTION BESIDES KUWAIT WERE IRAN, IRAQ AND SAUDI ARABIA. KUWAIT REACHED AGREEMENT WITH FIRST TWO THAT RESULTED IN ESTABLISHMENT OF \$.33 DIFFERENTIAL WHICH LOWERED PRICE OF KUWAITI HEAVY HIGH-SULFUR CRUDE TO \$12.37. MAJOR PURCHASERS, GULF AND BP, WITH THEIR \$.15 DISCOUNT, WOULD THUS BE ABLE TO BUY AT \$12.22 PER BBL (REFTEL). ADASANI SAID THAT IRAN WAS FIRST WILLING TO AGREE ONLY TO A \$.10 DIFFERENTIAL BETWEEN IRANIAN AND KUWAITI CRUDE BUT WAS EVENTUALLY PERSUADED TO ACCEPT A \$.12/7\$8**343,58-), BRINGING PRICE OF IRANIAN CRUDE TO \$12.49, WHICH ADASANI CONSIDERED TO BE A SUITABLE LEVEL. ADASANI WAS PARTICULARLY PLEASED WITH \$.21 DIFFERENTIAL ESTABLISHED BETWEEN IRAQI HEAVY AND KUWAITI CRUDES, BUT AGREED THAT IRAQIS WERE PRONE TO GRANT CONSIDERABLE DISCOUNTS SO THAT VALUE OF ARRANGEMENT MIGHT BE SOMEWHAT QUESTIONABLE.

5. DESPITE SAUDI ARABIAN AND UAE RESERVATIONS REPORTED IN PRESS, ADASANI ASSURED ME THAT ALL OPEC MEMBERS HAD AGREED TO CONTRIBUTE ADDITIONAL \$800 MILLION TO OPEC DEVELOPMENT FUND ON BASIS OF ASSESSMENT PREVIOUSLY ESTABLISHED. KUWAITI DEL HAD PROPOSED THAT 10 PERCENT OF ANTICIPATED INCOME FROM PRICE INCREASE BE CONTRIBUTED TO OPEC DEVELOPMENT. 0.3, 5 * 7, \$, BUT THIS WAS REJECTED BY OTHER OPEC MEMBERS IN PREFERENCE FOR SPECIFIC FIGURE. WHEN I SUGGESTED THAT \$800 MILLION MIGHT NOT BE SUFFICIENT TO ACCOMPLISH PURPOSE OF ASSISTING LDC ECONOMIES AFFECTED BY OIL PRICE INCREASE, ADASANI SAID THAT HE FELT CERTAIN THAT OPEC WOULD CONSIDER FURTHER CONTRIBUTIONS IF IT WERE PROPOSED BY MEMBER FINANCE MINISTERS.

6. ADASANI HAD NOT HEARD OF JACK ANDERSON ARTICLE (REPORTED IN NESA WIRELESS FILE DEC. 23) RE GOK DESIRE THAT
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OPEC CONTROL PRICE OF LPG. SUBJECT WAS NOT RAISED AT DOHA MEETING. HE ADMITTED, HOWEVER, THAT KUWAIT HAD TAKEN UP THIS AT OPEC BOARD AND ITS ECB, BUT NOTHING HAD COME OF IT. HOWEVER, GOK WAS INTERESTED IN ESTABLISHING A UNIFORM LPG PRICE, AT LEAST AMONG THE GULF COUNTRIES, WHERE CIRCUMSTANCES ARE SIMILAR AND AMENABLE TO SUCH AN ARRANGEMENT AMONG SAUDI ARABIA, QATAR, IRAN AND KUWAIT. HE EMPHASIZED THAT WHAT WAS NOT WAS PRICE UNIFORMITY RATHER THAN ANY SPECIFIC LEVEL. WHEN I SUGGESTED THAT THE PRESENT PRICE WAS TOO HIGH FOR AMERICAN COUNTRIES TO PURCHASE KUWAITI LPG FOR USE IN U.S. ADASANI SAID THAT GULF HAS PROPOSED LARGE CONTRACT AT A PRICE CLOSE TO CURRENT PRICE OF \$127.50/GAL FOR PROPANE AND \$109 FOR BUTANE.

7. AS HAS BEEN REPORTED ELSEWHERE, ADASANI SAID THAT PLACE FOR JULY 12 OPEC MEETING HAS BEEN SELECTED AND WOULD BE IN EUROPE, BUT OPEC WISHED TO CONSULT WITH THE COUNTRY CONCERNED BEFORE MAKING SITE PUBLIC.

8. COMMENT: ADASANI DID NOT SEEM TO BE BOTHERED BY TWO-TIER PRICE SITUATION WHICH WOULD PRESENTLY EXIST AMONG OPEC COUNTRIES. IT WAS HIS FEELING THAT, WITH THE VARIOUS ADJUSTMENTS THAT WOULD BE MADE, THE PRICE INCREASE FOR THE FIRST SIX MONTHS WOULD RUN UNDER 10 PERCENT AND FOR THE LAST HALF OF 1977 WOULD BE NO MORE THAN 12-1/2 PERCENT, ASSUMING SAUDI ARABIA CONTINUES TO HOLD TO 5 PERCENT INCREASE. IMPRESSION I GAINED WAS THAT HE DID NOT CONSIDER INCREASED SAUDI PRODUCTION AS SUFFICIENT TO BRING PRESSURES ON OTHER OPEC MEMBERS WHO OPTED FOR HIGHER INCREASE. HE DID NOTE,

HTHEVER, THAT SITUATION, WHICH IS PREDANTLY CONFUSED, WOULD
BECOME CLEAR IN TWO OR, AT MOST, THREE MONTHS TIME, AT
WHICH POINT ANY NECESSARY ADJUSTMENTS COULD BE MADE9&

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Message Attributes

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